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# ***PRELICENSING EDUCATION***

## ***EDUCATIONAL OBJECTIVES***

### **California Fire and Casualty Broker-Agent Examination**

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#### **OVERVIEW**

Section 1677 of the California Insurance Code requires that the broker-agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws. What is "*sufficient knowledge*?" To answer this question, we must first determine what a "typical successful candidate for a broker-agent license" looks like.

For purposes of the prelicensing curriculum and examination, the typical successful applicant is defined as an entry-level employee of an agency or a company. Passing the examination is the completion of an important first step of a lifetime of insurance education and experience for this person. The typical new broker-agent will be trained to sell/service the lines more commonly available, less complex lines first, the other lines later. Sufficient knowledge is what this typical new broker-agent needs to know at the start of one's career.

- (1) The most specific knowledge is required in the following areas:
  - \* Insurance Code and Ethics
  - \* Responsibilities and authority of an insurance agent
  - \* General insurance concepts and principles
  - \* Commercial Property
  - \* Commercial Liability
  - \* Commercial Automobile
  - \* Personal Automobile and Homeowners coverages
- (2) To a lesser degree knowledge is required of:
  - \* Workers' Compensation
  - \* Health Insurance
- (3) Required knowledge of the remaining lines/coverages
  - \* a general understanding of why these lines/coverages may be required
  - \* a very general understanding of what they do.

All questions are based on "standard" policies; current editions of Insurance Services Office (ISO) policies will be used as the standard where available.

Due to the importance and the volatility of Earthquake coverage, classroom providers must keep current on the changes taking place under Section III. C1.2(a),(b).

All objectives for Section IV - Commercial Coverages are based on the ISO Commercial Lines program for all coverages available through ISO.

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The objectives for Section IV. B4 - Property Indirect Damage Insurance are based on the Business Income Coverage form.

The insurance examination does not measure sales or communications skills, self-management, motivation, knowledge of agency or company procedures or policy rating skills.

#### **EDUCATIONAL OBJECTIVES**

The educational objectives are statements of what an applicant must do, under what conditions, and how well, to demonstrate sufficient knowledge to pass the licensing examination. There are two types of objectives: the enabling educational objectives and the terminal educational objectives.

#### **THE ENABLING EDUCATIONAL OBJECTIVES**

The *enabling* educational objectives are the individual educational objectives contained on the following pages. They are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187 of the California Code of Regulations. The purpose of these objectives is to:

*Express clearly what an applicant must be able to do to show an acceptable level of mastery of each educational objective.*

#### **THE EXAMINATION**

Examination questions are based on the educational objectives. Mastery of the educational objectives should guarantee success on the examination.

All percentage distributions shown for sections of the Educational Objectives are plus or minus 1 percent.

For examination purposes, the Comprehensive Personal Liability supplement to the Dwelling Program will be considered to be identical to the Homeowners Section II.

#### **THE TERMINAL EDUCATIONAL OBJECTIVE**

The terminal objective is the overall objective. The terminal objective is that a successful applicant for licensing as a Fire and Casualty Broker-Agent will, without any aids (e.g., reference materials, calculators), meet the following requirements.

*He or she will correctly answer a minimum of 70 percent of the questions on the California Department of Insurance Fire and Casualty examination during the three hours allowed for the 150 question multiple-choice examination.*

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#### **CODE AND ETHICS**

The educational objectives for Code & Ethics are incorporated in the following pages. The individual objectives may be identified by "(CIC XXXX)" or "(Ethics)" or "(Code)". References to "Code" or "CIC" in the educational objective means the California Insurance Code.

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- V. HEALTH AND DISABILITY INCOME INSURANCE (5 percent of questions)
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#### **I. GENERAL INSURANCE** (31 percent of questions - *including* II. P&L Basics)

##### **I. A. Basic Insurance Concepts and Principles**

1. Be able to identify examples of insurance (as defined [CIC 22]).
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, physical and legal hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the terms loss and loss exposure, **e.g. property loss exposure, liability loss exposure, human personnel loss exposure.**
9. Be able to recognize the requisites of an ideally insurable risk.
10. Be able to identify the definition of insurable events (CIC 250).
11. Be able to identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
12. Be able to identify why private insurers underwrite the insurance applications they receive.
13. **Be able to identify the major types of private insurers:**
  - a. **Stock insurance companies;**
  - b. **Mutual insurance companies;**
  - c. **Reciprocal insurance exchanges.**
14. Be able to identify the meaning of adverse selection and spread of risk.
15. Be able to identify the benefits and the costs of insurance to society (e.g., loss control, loss payments, securing credit, etc.).

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16. **Be able to identify that the alternative funding method known as self-funding has benefits tailored to the group.**
17. Be able to identify a correct explanation of the role of deductibles in insurance.
18. **Be able to identify the major medical deductibles:**
  - (a) **Multiple expenses for one individual apply to the stated deductible;**
  - (b) **Expenses of several family members apply to the stated deductible;**
  - (c) **Only sick care expenses apply to the stated deductible.**
19. Be able to identify:
  - (a) a definition of reinsurance (CIC 620);
  - (b) the purposes of insurers obtaining reinsurance.
20. Be able to identify that for regulatory purposes:
  - (a) the Insurance Code divides lines of insurance into classes (CIC 100); and,
  - (b) defines these *classes* (CIC 101-120).

#### **I. GENERAL INSURANCE**

##### **I. B. Contract Law**

1. Be able to identify and compare contract law and tort law.
2. Be able to identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
  - (a) contract of adhesion;
  - (b) conditional contract;
  - (c) aleatory;
  - (d) unilateral;
  - (e) personal;
  - (f) utmost good faith;
  - (g) indemnity.
4. Be able to identify the term insurance policy (CIC 380).
5. Be able to identify the meaning and effect of each of the following on a contract:
  - (a) fraud (CIC 338 and 1871.2);



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- (b) concealment (CIC 330-339);
  - (c) warranty (expressed/implicit) CIC 440-445, 447, **e.g. an implied warranty qualifies as a representation in an insurance contract (CIC 354);**
  - (d) materiality (CIC 334);
  - (e) representations (CIC 350-361), **i.e. a representation can be altered or withdrawn only before the insurance is issued (CIC 355);**
  - (f) misrepresentation (CIC 780-784), **e.g. know that a representation is false when the facts fail to correspond with its assertions or stipulations;**
  - (g) waiver and estoppel.
6. Be able to identify six required specifications for all insurance policies (CIC 381).
7. Be able to identify:
- (a) the meaning of the term rescission;
  - (b) when an insurer has the right of rescission (CIC 331, 338, 359, 447).

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

###### **I. C1. Distribution Systems**

1. Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail System) in terms of:
- (a) contractual and ownership relationships between the producer and the insurer;
  - (b) marketing methods.

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

###### **I. C2. Producers**

1. Given a situation involving the legal relationship of an insurance agent and either a principal (insurer or agency principal) or an insured/applicant, be able to assess:
- (a) the legal relationships;
  - (b) the responsibilities and duties of each;
  - (c) the effect of the types of authority an *agent* may have (express / implied / apparent).
2. With regard to the underwriting of applicants and /or insureds, be able to:

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- (a) identify a producer's responsibilities;
  - (b) differentiate between the limitations placed on insurer pre-selection and post-selection activities.
3. Be able to identify and compare the following:
- (a) insurance agent (CIC 1621), **e.g. a person authorized by and on behalf of an insurer to transact insurance;**
  - (b) insurance broker (CIC 1623), **e.g. someone paid for transacting insurance on behalf of another person;**
  - (c) insurance solicitor (CIC 1624); **must be appointed by an agent or broker who holds a permanent fire and casualty license;**
  - (d) managing general agent (CIC 769.81c, 1735)
    - 1) **Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office);**
    - 2) **Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more than 5% of the policyholder surplus as reported in the insurer's last annual statement and either:**
      - a. **adjusts or pays claims in excess of an amount determined by the Commissioner, or;**
      - b. **negotiates and binds ceding reinsurance on behalf of the insurer (CIC 769.81[c]).**
  - (e) administrator (CIC 1759), e.g. a person who collects premium from or who settles claims for residents in this state in conjunction with life or health insurance coverage.
  - (f) fire and casualty licensee (CIC 1625);
  - (g) personal lines licensee (CIC 1625.5);
  - (h) insurance adjuster (CIC 14021);
  - (i) public insurance adjuster (CIC 15007);
  - (j) surplus line and special surplus line broker (CIC 1761).
4. Be able to identify the Code definition of transact and why the definition is important (CIC 35, 1621-1624, 1631, 1633).
5. Be able to identify the Code statements regarding a broker-agent's status when appointed as an agent (CIC 1731).
6. Be able to recognize the differences, and the reasons for the differences,

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between the authority of an agent and a solicitor.

7. Be able to identify the purpose, duties and authority of an agency for the following:
  - (a) applications;
  - (b) binders (CIC 382.5) (CCR 2274);
  - (c) certificates of liability insurance and evidence of property insurance;
  - (d) renewal responsibilities;
  - (e) suspense/diary system;
  - (f) lost policy release.
8. For Insurance Agent's Errors & Omissions insurance, be able to identify:
  - (a) the types of coverages available;
  - (b) the types of losses commonly covered / not covered;
  - (c) the need for the coverage.
9. Be able to identify acts prohibited (unless licensed as a surplus line broker) with regard to nonadmitted insurers (CIC 703).
10. Be able to identify the requirements and penalties in the Code with regard to insurance in connection with sales or loans (CIC 770-770.1, 771, 773-774) (CCR 2114).
11. Be able to identify the prohibitions of free insurance (CIC 777.1).
12. Be able to identify the Code requirements for Fire & Casualty agents regarding the following:
  - (a) agency name, use of name (CIC 1724.5, 1729.5);
  - (b) display of license (CIC 1725);
  - (c) records (CIC 1727-1727.5, 1730.5);
  - (d) office location (CIC 1728-1729);
  - (e) change of address (CIC 1729);
  - (f) premium finance disclosures (CIC 778.02, 1730.6);
  - (g) filing license renewal application (CIC 1720);
  - (h) printing license number on documents (CIC 1725.5).
13. Be able to identify regulation regarding charges for extra services.
14. Be able to identify mandated procedures to follow when a broker fee is charged.

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15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (CIC 1666, 1668-1669, 1738).
16. Be able to identify the importance and the scope of the Code regarding:
  - (a) the filing of a notice of appointment (CIC 1673, 1704-1705);
  - (b) an inactive license (CIC 1704 [a]).
17. Be able to identify the scope and effect of the Code regarding termination of a (producer) license including when producers dissolve a partnership (CIC 1708-1714).
18. Be able to identify:
  - (a) the definition of the term "fiduciary";
  - (b) producer fiduciary duties described in the Code (CIC 1733-1735.5).
19. Be able to identify the continuing education requirements for:
  - (a) Fire & Casualty insurance agents (CIC 1749.3);
  - (b) agents writing Long Term Care Insurance (CIC 10234.93);
  - (c) agents writing California Partnership coverage (must meet LTC requirements PLUS four hours a year for "junior agents" and eight hours every two years for "seniors" of CA partnership education. The total hours of CE required are not increased by (b) or (c)).

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for test questions.

20. Be able to identify and apply the meaning of the following: (Ethics section)
  - (a) place the customer's interest first;
  - (b) know your job - and continue to increase your level of competence;
  - (c) identify the customer's needs and recommend products and services that meet those needs;
  - (d) accurately and truthfully represent products and services;
  - (e) use simple language; talk the layman's language when possible;
  - (f) stay in touch with customers and conduct periodic coverage reviews;
  - (g) protect your confidential relationship with your client;
  - (h) keep informed of and obey all insurance laws and regulations;
  - (i) provide exemplary service to your clients;
  - (j) avoid unfair or inaccurate remarks about the competition.

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21. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical and/or illegal practices but they are NOT a complete guide to ethical behavior (Ethics).
22. Be able to identify the personal lines requirement for providing the effective date of coverage to insureds /applicants (CIC 1730.5).
23. **Know what a licensee must do to surrender their license. Know what an employer must do to terminate a licensee's license. (CIC 1708)**

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C3. Insurers**

1. Be able to differentiate between:
  - (a) admitted and non-admitted insurers (CIC 24-25);
  - (b) domestic, foreign or alien insurers (CIC 26-27, 1580):
    - (1) **an excess and surplus lines insurer writes standard coverages in a state where the insurer is unlicensed;**
    - (2) **A standard market insurer is an insurer who offers rates for insurance coverage to insureds who have an average or better than average loss exposure.**
2. Be able to identify the functions of the following major operating divisions of insurers: Marketing /Sales, Underwriting, Claims, Actuarial.
3. **Be able to identify market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.**
4. Be able to identify who may be an insurer (CIC 150).
5. Be able to identify the Code definition of insolvency (CIC 985).
6. Be able to identify the differences and similarities of types of insurers (Stock / Mutual / Lloyd's / Reciprocal / Risk Retention Groups)

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#### **I. GENERAL INSURANCE**

#### **I. C. The Insurance Marketplace**

#### **I. C4. Market Regulation - General**

1. Be able to identify the purpose of insurance regulation and the significance of Paul vs. Virginia (1869), SEUA case (1944), and the McCarren-Ferguson Act (a.k.a. Public Law 15 [1945]).
2. Be able to identify:
  - (a) the California Insurance Code (CIC) and how it may be changed (Code);
  - (b) the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
  - (c) how the insurance commissioner is selected and the responsibilities of the position (CIC 12900, 12921).
3. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (CIC 790-790.10).
4. Be able to identify the correct application of the Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26).
5. Be able to identify the scope and correct application of the conservation proceedings described in the Code (CIC 1011, 1013, and 1016).
6. **Be able to identify the purpose and scope of the Code with regard to:**
  - (a) **the California Insurance Guarantee Association (CIC1063 [a-c], 1063.1 [a],[b],[c](1)(2));**
  - (b) **The definition of an insolvent insurer includes either:**
    - 1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere;**
    - (2) An inability of the insurer to meet its financial obligations when they are due;**
  - (c) **Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance (CIC 985.[a] [1 and 2]);**

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- (d) **Paid-in Capital (CIC 36).**
7. Be able to identify:
- (a) common circumstances that suggest the possibility of fraud; **e.g. that if an insured signs a claim form for a claim which is fraudulent, the insured may be found guilty of perjury;**
  - (b) efforts to combat fraud (CIC 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3 [b][1]).
8. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code (CIC 1871.1-1871.4c, 1872.5).
9. Be able to identify discriminatory Fire and Casualty practices prohibited by the California Insurance code (CIC 679.70-679.73, 10140-10145).
10. Be able to identify the requirements for rates to be approved or remain in effect (CIC 1861.05[a]).
11. Be able to identify:
- (a) the types of rating laws (prior approval, file & use, use & file, open competition);
  - (b) the system used by the state of California to regulate rates for most property and casualty insurance written in California (prior approval) (CIC 1861.05[c]).
12. As used by the Code, be able to identify the meaning of:
- (a) "shall" and "may" (CIC 16);
  - (b) "person" (CIC 19).
13. Be able to identify the requirements for notice by mail (CIC 38).

#### **I. GENERAL INSURANCE**

##### **I. C5. Excess and Surplus (E&S) Lines**

1. With regard to surplus lines, be able to identify:
- (a) what the term "surplus lines" means;
  - (b) the marketplace needs met by surplus lines;
  - (c) the requirements to be met before a risk may be placed with a surplus lines insurer;
  - (d) how surplus lines and special lines surplus lines brokers interact with

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- agents;
- (e) the absence of binding authority when placing business through excess and surplus lines brokers (CIC 1764.2);
- (f) the non-standard nature of the coverages provided;
- (g) conditions that must be met before business may be obtained from these carriers (CIC 1761);
- (h) what the List of Eligible Surplus Lines Insurers (LESLI) is.

## **II. PROPERTY AND LIABILITY BASICS**

### **II. A. Basic Legal Concepts - Tort Law**

1. Be able to identify the types of wrongs that are dealt with by tort law (e.g., intentional torts, negligence, absolute liability, strict liability), **e.g. a person can face a claim for legal liability for intentional torts, negligence, and absolute liability.**
2. Be able to recognize and identify:
  - (a) the four essential elements of negligence (duty / breach / injury / unbroken chain) and;
  - (b) whether all four elements are present in a described situation;
  - (c) the principle of “proximate cause”;
  - (d) legal defenses against “negligence.”
3. Be able to identify:
  - (a) the reasons for the absolute and strict liability doctrines and recognize situations in which they would apply;
  - (b) examples of intentional torts (e.g., libel, slander, false arrest).
4. Be able to identify definitions of gross negligence and vicarious liability.
5. Be able to identify types of damages: punitive and compensatory, which includes special and general damages.
6. Be able to recognize the difference between comparative and contributory negligence doctrines.
7. Be able to compute a loss payment applying the doctrines of:
  - (a) comparative negligence;
  - (b) contributory negligence.
8. Be able to apply the assumption of the risk doctrine.



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9. Be able to identify:
  - (a) the ways a pure no-fault law would modify a tort liability system;
  - (b) the major differences between "pure no-fault" and "modified no-fault" laws.

## **II. PROPERTY AND LIABILITY BASICS**

### **II. B. Property and Liability Basics**

1. Be able to identify the major services provided by the following independent rating organizations:
  - (a) Insurance Services Office (ISO) **the ISO is the advisory organization that develops forms for the standard market;**
  - (b) California Workers' Compensation Inspection Rating Bureau (CIC 11750.3):
    - (1) provides reliable statistics and rating information regarding workers' compensation and employer's liability insurance;
    - (2) collect and tabulate information and statistics for the purpose of developing pure premium rates to be submitted to the commissioner for issuance or approval;
    - (3) inspect risks for classification or rate purposes and to furnish to the insurer and upon request of the employer.
2. Be able to recognize the principle risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
3. Be able to identify the difference between direct and indirect (consequential) property losses.
4. Be able to recognize common indirect loss exposures.
5. Be able to identify the methods commonly used by risk managers to deal with risk.
6. Be able to identify the terms of expense, loss, and combined ratios.
7. Be able to identify the following terms:
  - (a) "all-risk" (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
  - (b) "open peril" / "special form" (terms commonly used in place of "all-risk" in today's policies);
  - (c) "named peril";

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- (d) “concurrent causation.”
- 8. Be able to identify the terms and differentiate between:
  - (a) short rate / flat rate / *pro-rata* cancellation;
  - (b) cancellation / non-renewal / lapse;
  - (c) unearned / earned premium and be able to identify their correct computation.
- 9. Be able to differentiate between the terms “judgment rating,” “merit rating,” and “manual rating.”
- 10. Be able to identify and apply the meaning of claims terms (e.g., first party, third party, subrogation, arbitration, etc.).
- 11. Be able to define the term “loss reserve, **e.g. estimate of the amount that an insurer will pay for a claim.**”
- 12. Be able to identify the requirements to be met to assign a policy from one insured to another.
- 13. Be able to differentiate between property and liability insurance coverages.
- 14. Be able to identify a definition of “loss cost rating” and the reason for its use.
- 15. Be able to identify:
  - (a) the requirement for an insurable interest to exist (CIC 280);
  - (b) when insurable interest is required to exist under property insurance policies (CIC 286);
  - (c) that contingent or expectant interests are not insurable (CIC 283).
- 16. Be able to apply the exclusion that eliminates concurrent causation from applying to certain perils, i.e. if two or more perils act at the same time to cause a loss, there is no coverage if any of the perils, such as rain, are excluded.

## **II. PROPERTY AND LIABILITY BASICS**

### **II. C. Property and Liability Policies - General**

- 1. Be able to identify a description of:
  - (a) the major components of insurance policies (e.g., declarations, insuring agreements, definitions, conditions, exclusions, endorsements, etc. );

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- (b) common policy provisions (e.g., insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).
- 2. **Recognize that property insurance policies contain many items except the insured's address (CIC 2071).**
- 3. Be able to identify and compute loss payments for:
  - (a) the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, and stated value);
  - (b) a valued policy (CIC 2053, 2054).
- 4. Be able to identify the protection of a mortgagee's interest contained in most mortgage clauses.
- 5. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.
- 6. Be able to identify the Code requirements pertaining to policy cancellation / failure to renew (CIC 481.5, 660-669.5, 670, 673, 675-679.6).
- 7. Be able to identify restrictions regarding referral of auto insureds to repair facilities (CIC 753).
- 8. **Be able to differentiate the California Standard Form Fire Insurance Policy from the Standard Fire Policy (158 vs. 165 lines).**

### **III. PERSONAL LINES INSURANCE** (37 percent of questions)

#### **III. A. Dwelling Insurance**

##### **III. A1. Dwelling Insurance - General Concepts**

- 1. Be able to identify what the "standard fire policy" is, perils insured, and its importance to modern personal and commercial property contracts (CIC 2070).
- 2. Be able to identify:
  - (a) the major coverage differences in the Dwelling and Homeowners programs, e.g. collapse
  - (b) why a dwelling might be insured under a Dwelling Policy rather than a Homeowners (HO) Policy.

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3. Be able to identify which applicants are eligible for each of the (HO- 2 or 3, 4, 5, and 6) Homeowners products.
4. Be able to match the HO products (HO- 2 or 3, 4, 5, and 6) with consumers needs.
5. Be able to identify the major similarities and differences between an HO-2, an HO-3, and HO-5, **e.g. the primary difference between HO-3 and HO-5 is coverage C perils.**
6. Be able to identify the major similarities and differences of an HO-4 and an HO-2 and an HO-6, e.g. HO-2, HO-4, and HO-6 have similar perils insured against under coverage C.

### **III. PERSONAL LINES INSURANCE**

#### **III. A. Dwelling Insurance**

#### **III. A2. Dwelling Fire /Homeowners Section I**

1. For the Dwelling Program, be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:
  - (a) the coverages included;
  - (b) perils insured.
  - (c) **know that "collapse" is an additional coverage that is provided in a DP 3, and which is not included in a DP 1.**

*The remainder of III.A2 is an analysis of the ISO HO-3 contract*

2. Be able to identify who is or is not an "insured" as defined for Section I.
3. Be able to identify for coverages A, B and C (Dwelling, Other Structures, Personal Property):
  - (a) the kinds of property insured, **e.g. paint for the interior of the building is personal property that is included under coverage A;**
  - (b) the valuation basis used for the property;
  - (c) the kinds of property excluded;
  - (d) the kinds of property with special (sub)limits - and for which perils, e.g. **watercraft has special limits;**
  - (e) the perils insured against and/or the perils excluded;
  - (f) how coverage applies to a described loss.

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4. Be able to identify the extent Coverage D (Loss of Use) applies to a described loss.
5. Be able to identify the **coverage available for debris removal and property removal under the HO Property Coverages - Additional Coverages**.
6. Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
7. Be able to identify the insured's duties after a loss (Section I Conditions).
8. Given sufficient information about an HO property loss being adjusted under the Section I Condition - Loss Settlement, be able to compute:
  - (a) the amount of coverage required to receive full replacement cost coverage;
  - (b) the amount that would be paid (at least 80 percent or less than 80 percent of replacement cost).
9. Given an example, be able to recognize the applicability of the Ordinance or Law exclusion and its relationship to California requirements, **i.e. know that the ordinance or law exclusion excludes the additional cost necessary to make a restroom American Disability Act (ADA) compliant.**
10. Be able to identify:
  - (a) the requirements and definitions of the California Residential Property Insurance Disclosure statement (CIC 10101, 10102);
  - (b) that the form contains only a general description of coverages and is NOT part of the residential policy;
  - (c) replacement cost and building code upgrade options.

### **III. PERSONAL LINES INSURANCE**

#### **III. A. Dwelling Insurance**

#### **III. A3. Homeowners Section II / (Comprehensive Personal Liability)**

1. Be able to identify the two major coverages provided in this section.
2. Be able to identify common liability loss exposures covered or excluded.
3. Be able to identify how Section II - Additional Coverages affect loss payments (Insurer Claim Expenses, First Aid Expenses, Loss Assessment and Damage to Property of Others).

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4. For a described loss, be able to identify who would be covered under Medical Payments to Others.
5. Be able to identify the vehicles commonly insured/ not insured by the basic policy.
6. Be able to identify properties included in:
  - (a) Insured Locations;
  - (b) Residence Premises.
7. **Be able to identify losses covered under the Homeowners watercraft endorsement, e.g. a loss if it arises out of the use of a sailboat in a racing competition.**

### **III. PERSONAL LINES INSURANCE**

#### **III. A. Dwelling Insurance**

#### **III. A4. Selected Homeowners Endorsements**

1. Be able to identify the effect of attaching the Mobilehome Endorsement to a Homeowners Policy.
2. Be able to identify the major effects of the following:
  - (a) Workers' Compensation - Residence Employees (CA) endorsement - (not optional statutory benefits provided under CA law);
  - (b) Other Structures - Increased Limits endorsement;
  - (c) Scheduled Personal Property endorsement (also see Section III.B2.2),  
**i.e. be able to identify that the scheduled personal property endorsement covers breakage of glassware caused by an earthquake;**
  - (d) Inflation Guard endorsement;
  - (e) Personal Property - Replacement Cost endorsement;
  - (f) Personal Injury endorsement;
  - (g) Guaranteed and Extended Replacement Cost Options;
  - (h) Additional Residence Rented to Others;
  - (i) Ordinance or Law Coverage;
  - (j) Home business coverage endorsements as compared to commercial policies.

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### **III. PERSONAL LINES INSURANCE**

#### **III. B. Inland Marine**

#### **III. B1. Inland Marine - General Concepts**

1. Be able to recognize why some lines are filed, some non-filed and what the advantages and disadvantages of this difference are.
2. For Inland Marine policies be able to identify:
  - (a) most are written on an open-peril basis;
  - (b) the principal types of exclusions;
  - (c) the special valuation provisions.
3. Be able to identify why mobility is a common characteristic of many types of property insured under Inland Marine contracts.
4. **Know that an annual transit policy is usually provided on a named peril basis.**

### **III. PERSONAL LINES INSURANCE**

#### **III. B. Inland Marine**

#### **III. B2. Inland Marine - Personal Insurance**

1. Be able to compare the Personal Articles Floater (PAF) and the Homeowner's "Scheduled Personal Property Endorsement" (they provide the same coverage).
2. With regard to the Scheduled Personal Property endorsement:
  - (a) be able to identify the uninsured loss exposures that might cause an HO-3 homeowners insured to add this endorsement;
  - (b) be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy;
  - (c) Be able to identify the restrictions on "insured locations and "insured perils" in property policies.
3. Be able to identify the limited coverage that is available in the Watercraft endorsement under the Homeowners Program.

### **III. PERSONAL LINES INSURANCE**

#### **III. B. Inland Marine**

#### **III. B3. Personal Watercraft - Personal Insurance**

1. Be able to identify why a boat owner, insured under a Homeowners Policy, might still need Boatowners type coverages.

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2. Be able to identify the typical coverages provided
  - (a) liability; **e.g. know that liability coverage under boatowners policies includes operations liability, passenger liability and flotilla liability;**
  - (b) medical payments
  - (c) physical damage coverage
3. Be able to identify the coverage normally afforded by the yacht policy (Hull, boat trailers, Protection and Indemnity - [P&I])
4. Be able to identify the coverage provided by P&I that is not provided by other boat liability coverages.

### **III. PERSONAL LINES INSURANCE**

#### **III. C. Government / Pools / Catastrophe - Property Insurance**

##### **III. C1. Earthquake Coverage**

1. Be able to identify the major personal insurance policy coverage that insures against losses caused by earth movement (e.g., Personal Auto: other-than collision / comprehensive coverage).
2. Be able to identify correct statements about:
  - (a) requirements for insurers to offer earth movement coverage (CIC 10081, 10084).
  - (b) state or federal facilities such as the California Earthquake Authority (CEA) that provide coverage for this peril to major segments of the dwelling market (CIC 10089.6, 10089.26, 10089.28).
3. Be able to identify the advantages / disadvantages (if any) of:
  - (a) obtaining this coverage by a separate policy vs. endorsement to property policy;
  - (b) single limit of coverage vs. multiple limits (e.g. Homeowners policy);
  - (c) earthquake type deductible vs. commonly used property deductibles;
  - (d) reduced coverage policies.

### **III. PERSONAL LINES INSURANCE**

#### **III. C. Government / Pools / Catastrophe - Property Insurance**

##### **III. C2. California Fair Access to Insurance Requirements (FAIR) Plan**

1. Be able to identify the marketplace needs met by the California FAIR plan (CIC 10090, 10091);



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2. Be able to identify the two different types of areas served by the California FAIR plan.
3. Be able to identify which of a described group of applicants would be eligible for coverage under the plan.
4. Be able to identify who is eligible to submit applications to the FAIR Plan and the extent of their binding authority (CIC 10093[a]) (Also FAIR Plan rules).
5. Be able to identify the meaning of “basic property insurance” as defined in the Code (CIC 10091[c]).

### **III. PERSONAL LINES INSURANCE**

#### **III. C. Government / Pools / Catastrophe - Property Insurance**

##### **III. C3. National Flood Insurance**

1. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood. (e.g., Personal Auto: other-than collision / comprehensive coverage).
2. For the National Flood program, be able to identify the following:
  - (a) the types of properties eligible for coverage under the program (applies to both personal and commercial property).
  - (b) the principal coverage provided by the contract;
  - (c) risks eligible for the program, differentiating between the emergency program and the regular program;
  - (d) who may place business with the program (any licensed broker-agent);
  - (e) an agent’s binding authority;
  - (f) that program dollar limits for coverages are specified.

### **III. PERSONAL LINES INSURANCE**

#### **III. D. Personal Auto**

##### **III. D1. Personal Auto - General**

1. Be able to identify the financial responsibility law requirements (CA Vehicle Code (CVC) 16020, 16021, 16025, 16451).
2. Be able to identify:
  - (a) the (ISO) eligibility requirements for a Personal Auto Policy (PAP);
  - (b) who is an insured, **e.g. any person qualifies as an insured while**

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- using a covered auto;**
  - (c) the policy territorial limits;
  - (d) the difference between "share-the-expense car pools" and "for-hire" situations.
  - (e) the coverage that applies to newly acquired auto and "your covered auto";
  - (f) the coverage that applies to a non-owned private passenger auto rented by an insured while on a short vacation.
- 3. Be able to identify situations in which the policy provides:
  - (a) primary coverage
  - (b) excess coverage.
- 4. Be able to identify:
  - (a) the eligibility requirements to receive a Good Driver Discount (CIC 1861.025);
  - (b) the discount percentage of the Good Driver Discount (CIC 1861.02);
  - (c) the three principal rating factors for personal auto policies (CIC 1861.02[a]).
- 5. Be able to identify:
  - (a) the permitted reasons for an insurer to cancel or non-renew an automobile policy (CIC 1861.03[c](1), 661);
  - (b) the number of days of notice required (CIC 662, 663).
- 6. **For newly acquired autos, know that:**
  - (a) **A newly acquired auto will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage;**
  - (b) **If the insured has collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;**
  - (c) **If the insured does not have collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days;**
  - (d) **If a newly acquired auto is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.**

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### **III. PERSONAL LINES INSURANCE**

#### **III. D. Personal Auto**

#### **III. D2. Personal Auto - Liability / Medical / Uninsured Motorist**

1. Be able to identify how the policy limits are applied to coverages A, B and C (Liability, Medical, Uninsured Motorist), in a given loss situation.
2. For a described loss applying to Part A - Liability, be able to determine the effect of:
  - (a) supplementary payments;
  - (b) "out of state coverage" (including "financial responsibility" and "no-fault" compliance);
  - (c) split limits vs. single limits coverage; **e.g. the difference between the per accident limit in a split limit policy and a single limit policy is that in a split limit policy the per accident limit applies only to bodily injury and the single limit applies to all claims;**
  - (d) "other insurance";
  - (e) the principle - coverage / limitations / exclusions - applying to bodily injury and property damage liability.
3. For a described loss applying to Part B - Medical Payments, be able to determine the amount of coverage for each insured.
4. Be able to identify:
  - (a) who is defined as an uninsured motorist;
  - (b) the Underinsured Motorists coverage part of the Uninsured Motorist coverage;
  - (c) Uninsured Motorist Property Damages;
  - (d) collision deductible waivers.
5. Be able to identify excess automobile liability exposure coverage; **e.g. know that the personal auto policy is excess when an insured leaves their car at a facility (such as garage, parking lot, or valet) and that car is involved in an accident.**
6. Under California law be able to identify:
  - (a) the policy limits required to comply with the Financial Responsibility Law ((CIC 11850.1[b](1)) (CVC 16056);
  - (b) the requirement for offering Uninsured Motorists coverage in policies providing bodily injury liability - and how an insured may reject the coverage (CIC 11580.2[a](1)).

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### **III. PERSONAL LINES INSURANCE**

#### **III. D. Personal Auto**

#### **III. D3. Personal Auto - Physical Damage / Miscellaneous**

1. In a described loss, be able to identify:
  - (a) if the loss is covered and for how much after applying any deductibles;
  - (b) the standard basis of valuation for the automobile;
  - (c) an insurer's options in making a loss settlement with the insured;
  - (d) under what circumstances transportation expenses are reimbursed;
  - (e) the coverage for personal effects (none);
  - (f) the relationship between other than collision coverage (OTC) and comprehensive coverage (ISO uses newer "OTC"; many insurers still use "comprehensive");
    - (1) **Know that Other Than Collision coverage is a property insurance coverage.**
  - (g) under what conditions waiver of collision deductible and uninsured motorist property damage must be offered and the coverage provided by each;
  - (h) insured's duties after a loss.
2. Be able to identify the purpose of the following:
  - (a) Miscellaneous Type Vehicle Endorsement;
  - (b) Named Non-owner policy;
  - (c) Extended Non-owned Liability Coverage;
  - (d) Additional Transportation Expenses;
  - (e) Coverage for Sound Receiving and Transmitting Equipment;
  - (f) Coverage for Audio, Visual and Data Electronic Equipment and Tapes, Records, Discs and Other Media;
  - (g) Mexico Coverage Endorsement;
  - (h) Towing and Labor Coverage.
3. Be able to explain GAP coverage.
4. Be able to identify non-standard physical damage.

### **III. PERSONAL LINES INSURANCE**

#### **III. D. Personal Auto**

#### **III. D.4. California Automobile Assigned Risk Plan (CAARP)**

1. Be able to identify the purpose of CAARP.
2. Be able to identify:

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- (a) who is eligible to place business with CAARP;
- (b) the eligibility requirements for applicants;
- (c) how business is placed through CAARP;
- (d) the coverages and limits available / required;
- (e) whether coverage may be bound;
- (f) whether commercial risks are also eligible for "assigned risk" coverage.

### **III. PERSONAL LINES INSURANCE**

#### **III. D. Personal Auto**

##### **III. D.5. Motorcycles**

### **III. PERSONAL LINES INSURANCE**

#### **III. D. Personal Auto**

##### **III. D.6. Recreational Vehicles**

### **III. PERSONAL LINES INSURANCE**

#### **III. D. Personal Auto**

##### **III. D.7. GAP Coverage**

### **III. PERSONAL LINES INSURANCE**

#### **III. E. Umbrellas and Excess Liability Insurance**

1. Be able to identify:
  - (a) the major function of these policies;
  - (b) the absence of standard policies;
  - (c) the difference between umbrella and excess policies;
  - (d) **the benefits of umbrella and excess liability insurance.**
2. Be able to identify:
  - (a) underlying policies that are commonly required (by the umbrella insurer) to be maintained;
  - (b) what a self-insured retention is and how it is applied to a loss;
  - (c) **Standardized Umbrella policies and their availability.**

### **III. PERSONAL LINES INSURANCE**

#### **III. F. Low-Cost Automobile Insurance**

1. Be able to identify:

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- (a) low-cost automobile insurance;
- (b) the costs for this insurance;
- (c) eligibility to purchase low-cost automobile insurance;
- (d) the cancellation and renewal procedures for low-cost automobile insurance;
- (e) the coverages and limits available.

### **III. PERSONAL LINES INSURANCE**

#### **III. G. New Developments - Personal Lines**

- 1. Legal
- 2. Legislative
- 3. Insurance Products and Practices

### **IV. COMMERCIAL COVERAGES** (27 percent of questions)

#### **IV. A. ISO Modulized Commercial Lines Program**

- 1. Be able to identify:
  - (a) a description of the modular concept as used in the Commercial Lines Program;
  - (b) the major common modules used in all policies.
- 2. Be able to identify and apply definitions of the following Common Policy Conditions: Cancellation, Changes / Examination of Your Books and Records / Inspections and Surveys / Premiums / Transfer of Rights and Duties / First Named Insured.
- 3. **Be able to identify the Commercial Property Conditions form (e.g. Examination of Your Books and Records).**
- 4. For package policies, be able to identify:
  - (a) the minimum requirements for a package policy (modules & coverages);
  - (b) the advantages to insureds;
  - (c) that the same coverages may be written on a monoline basis.

### **IV. COMMERCIAL COVERAGES**

#### **IV. B. Commercial Property**

##### **IV. B1. Commercial Property - General**

- 1. Be able to identify and apply definitions of:

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- (a) “you,” “your,” and “we,”
    - (1) **KNOW THAT “you” in a commercial property policy means named insured;**
    - (2) **Know that “Your” refers to only the named; Insured(s) shown in the declaration;**
    - (3) **know that “we,” “us” and “our” refer to the insurer providing insurance.**
  - (b) the conditions of the Commercial Property Conditions.
2. Be able to identify the purpose of a "Builder's Risk" form.
3. **Be able to identify that the coinsurance requirement on a Builder's Risk form is 100 percent of the completed value.**
4. Be able to identify the purpose of a Value Reporting Endorsement.
- (a) **Know that the Value Reporting Form may be used to modify the insurance provided by the Building and Personal Property Coverage Form;**
  - (b) **Know that 75 percent is the most that will be paid in the event of a loss if the insured has made no reports of value as required.**

#### **IV. COMMERCIAL COVERAGES**

##### **IV. B. Commercial Property**

##### **IV. B2. Building and Personal Property Coverage Form**

1. Be able to recognize the principal types of Covered Property and the valuation basis for:
- (a) Building (dwellings not eligible);
  - (b) Business Personal Property including improvements and betterments;
  - (c) **Personal Property of Others, e.g. know that under the Commercial Property Coverage Form, personal property of others is excluded if the property is being transported by the insured.**
2. Be able to recognize:
- (a) Additional Coverages;
  - (b) Coverage Extensions.
3. Under Loss Conditions - Vacancy, be able to recognize:
- (a) the definition of vacancy; **e.g. know that property is considered vacant when there is insufficient business personal property present to conduct customary operations;**

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- (b) what effect this condition has on the policy; **e.g. a vandalism loss under a Building and Personal Property Coverage Form is excluded if the insured building has been vacant for more than 60 consecutive days;**
- (c) the effect of attaching a vacancy permit to a policy:
  - (1) **Know the perils in the vacancy permit endorsement include vandalism and attempted theft, sprinkler leakage and building glass breakage;.**
  - (2) **If a vacancy permit endorsement is added to a Building and Personal Property Coverage form, be able to recognize that the vacancy condition under the basic policy is waived during the period.**
- 4. Be able to:
  - (a) identify reasons for coinsurance (advantages / disadvantages to the insured);
  - (b) apply co-insurance to a described loss.
- 5. **Be able to recognize for coinsurance purposes, the fair market value is used to determine the actual cash value of a commercial building.**

#### **IV. COMMERCIAL COVERAGES**

##### **IV. B. Commercial Property**

##### **IV. B3. Causes of Loss Form(s)**

- 1. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied.
- 2. Be able to identify the purpose of the (Basic, Broad, and Special) Causes of Loss Forms and the major differences between the perils insured; **e.g. know that Windstorm is a covered peril under the Basic, Broad, and Special Cause of Loss Form(s).**
- 3. **Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy.**
- 4. In the Causes of Loss coverage part(s), Section B - Exclusions, be able to identify the following excluded loss causes:
  - (a) ordinance or law;
  - (b) earth movement; **e.g. know that the earth movement exclusion applies to landslides, mine subsidence and earth tremors caused by a volcanic eruption;**



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- (c) water, e.g. know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and flood.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. B. Commercial Property**

##### **IV. B4. Property Indirect Damage Insurance**

1. Be able to recognize definitions of Business Income and Extra Expense and that both are covered by the Business Income (and extra expense) coverages form.
2. Be able to identify that coverage is only activated if there is direct physical loss to property at the described premises by a covered peril.
3. Be able to recognize situations in which a business would need Business Income and/or Extra Expense coverage.
4. **The Business Income declaration shows which causes of loss are covered.**
5. Be able to identify situations in which a business would need Business Income from Dependent Properties.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. B. Commercial Property**

##### **IV. B5. Other endorsements / Coverages**

1. Be able to identify why the following forms or coverage options might be used:
  - (a) Leasehold Interest;
  - (b) Blanket, Specific, Schedule Insurance;
  - (c) Ordinance or Law Coverage;
  - (d) Glass Coverage.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. C. Commercial General Liability (CGL)**

##### **IV. C1. Commercial General Liability (CGL) - General**

1. Be able to identify:
  - (a) the term “general liability”;
  - (b) broad general types of loss exposures insured or left for other contracts to insure.

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2. Be able to identify the kinds of limits that are listed in the Declarations - Limits of Insurance section.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. C. Commercial General Liability**

##### **IV. C2. CGL Coverage Form (Occurrence)**

1. Based on the Commercial General Liability Coverage Form, be able to identify and apply:
  - (a) the definitions of Section I Coverage(s) A, B, and C.
  - (b) the definitions of: occurrence, products-completed operations, insured contract, coverage territory, personal injury, bodily injury, property damage.
2. Be able to identify both the effect of the following exclusions, and alternative forms of insurance coverage.
  - (a) Professional Liability;
  - (b) Liquor Liability;
  - (c) Workers' Compensation;
  - (d) Pollution;
  - (e) Automobile;
  - (f) Care, Custody and Control - Property Damage.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. C. Commercial General Liability**

##### **IV. C3. Professional Liability**

1. Be able to recognize reasons why professional liability losses aren't covered under CGL policies (because of applicable exclusions or because the loss is not a bodily injury / property damage / personal injury / advertising injury).
2. Be able to identify the professional occupations commonly insured by professional liability policies.
3. Be able to identify what is covered by an Errors or Omissions policy that isn't covered by a CGL policy.

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## ***EDUCATIONAL OBJECTIVES***

### **California Fire and Casualty Broker-Agent Examination**

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#### **IV. COMMERCIAL COVERAGES**

##### **IV. C. Commercial General Liability (CGL)**

##### **IV. C4. Claims Made**

1. Be able to identify the difference in the coverage triggers between an occurrence policy and a claims-made policy.
2. Be able to recognize why some policies are written on a claims-made basis.
3. Be able to apply the definitions of the following terms:
  - (a) Retroactive Date;
  - (b) Prior acts coverage (retro date not specified);
  - (c) Tail coverage (mini, midi, and maxi [SERP]);
  - (d) **Know that the Basic Extended Reporting Period begins when the policy period ends and is activated when the policy is cancelled or non-renewed.**

#### **IV. COMMERCIAL COVERAGES**

##### **IV. C. Commercial General Liability**

##### **IV. C5. Umbrella and Excess Liability**

1. Be able to identify:
  - (a) the major functions of these policies;
  - (b) the absence of standard policies;
  - (c) the difference between umbrella and excess policies.
2. Be able to identify:
  - (a) underlying policies that are commonly required (by the umbrella insurer) to be maintained;
  - (b) what a self-insured retention is and how it is applied to a loss.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. D. Commercial Crime**

1. Be able to differentiate between "theft," "burglary," and "robbery" as defined in crime insurance contracts.
2. Be able to identify the following crime coverages and recognize why a business would need to purchase them: employee theft, inside the premises - theft of money and securities, and outside the premises - theft of money and securities.

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3. Be able to differentiate between the discovery and loss sustained forms.
  - (a) **Know that the loss sustained type of crime coverage would pay for losses which occur during the policy period and are found for up to one year after the policy is terminated;**
  - (b) **Know that the discovery type of crime policy would pay for a loss which is found during the policy period even if the loss occurs prior to the effective date of the policy.**

#### **IV. COMMERCIAL COVERAGES**

##### **IV. E. Boiler and Machinery**

1. Be able to identify why an insured might need Boiler and Machinery (also known as Equipment Breakdown Coverage) coverage (even if they have commercial property insurance with Causes of Loss - Special Form).

#### **IV. COMMERCIAL COVERAGES**

##### **IV. F. Commercial Inland Marine**

1. Be able to identify:
  - (a) why an insured might need Inland Marine (IM) coverage;
  - (b) common types of property insured using the Commercial Package Policy IM coverage part (e.g., transit, cargo, equipment);
  - (c) **Know that a release bill of lading limits the carrier's liability on the shipment for the common carrier.**
2. For filed forms used with the Commercial Lines Program, be able to identify:
  - (a) the perils commonly insured ("open perils");
  - (b) the most common exclusions.
3. For a business insured with a Building and Personal Property Coverage form, that has a substantial Electronic Data Processing (EDP) exposure, be able to identify the major reasons for considering an Electronic Data Processing policy.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. G. Commercial Auto**

##### **IV. G1. Commercial Auto - General**

1. Be able to identify the effect of the CGL and the Business Auto Policy (BAP) coverage parts using the same definition for "automobile" and "mobile equipment."

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#### **IV. COMMERCIAL COVERAGES**

##### **IV. G. Commercial Auto**

##### **IV. G2. Business Auto Coverage**

-- BUSINESS AUTO POLICY (BAP) --

1. Be able to identify why the following coverages might be needed by an insured:
  - (a) owned autos;
  - (b) hired autos;
  - (c) non-owned autos.
2. Be able to identify each of the following symbols used to specify covered autos on the BAP declaration page: 1, 2, 3, 4, 7, 8, and 9.
3. Be able to identify the effect of the following exclusions and alternative methods of providing insurance coverage:
  - (a) Workers' Compensation;
  - (b) "Operations" and "Completed Operations";
  - (c) Pollution;
  - (d) Care, Custody and Control - Property Damage.
4. Be able to identify the principal physical damage coverages.
5. Be able to identify the effect of the following endorsements:
  - (a) Individual Named Insured endorsement;
  - (b) Drive Other Car Coverage

#### **IV. COMMERCIAL COVERAGES**

##### **IV. G. Commercial Auto**

##### **IV. G3. Garage Auto Coverage**

1. Garage Liability covers Garage Operations; be able to identify:
  - (a) the definition of Garage Operations;
  - (b) the four major coverages provided by Garage Liability;
  - (c) reasons for insuring with Garage Liability rather than using General Liability plus Commercial Auto coverage.
2. Be able to distinguish between losses covered by Garagekeepers Legal Liability and Garagekeepers Direct Coverage (primary or excess).

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#### **IV. COMMERCIAL COVERAGES**

##### **IV. G. Commercial Auto**

##### **IV. G4. Truckers Coverage**

1. Be able to identify:
  - (a) the definition of "trucker" and the general scope of the Motor Carrier Act of 1980;
  - (b) why a separate automobile program was developed for motor carriers;
  - (c) that except for a few (important) specialized coverages, and a few other changes, this coverage corresponds to the BAP.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. H. Farm**

1. Be able to identify that Farm insurance can be written on a monoline or package policy providing:
  - (a) both personal and commercial coverages;
  - (b) liability and property coverages.
2. For Crop Insurance, be able to identify:
  - (a) why the coverage may be needed;
  - (b) the major perils commonly insured;
  - (c) the role of the federal government.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. I. National Flood - Commercial**

1. Be able to identify the principal commercial flood coverages.
2. Be able to recognize that business income and extra expense are not available through the National Flood Insurance Program (NFIP).
3. Be able to identify that producers have no binding authority with the NFIP.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. J. Businessowners**

##### **IV. J1. Businessowners - General**

1. Be able to identify the:
  - (a) purpose of this program;
  - (b) mandatory coverages;

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- (c) categories of eligible businesses.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. J. Businessowners**

##### **IV. J2. BOP Property Coverages**

1. Be able to differentiate between the coverage provided by the Standard and Special forms.
2. Be able to differentiate between the perils covered in the BOP policies and similar commercial lines forms.
3. Be able to identify important additional coverages included in the BOP that would have to be added to the Commercial Property Policy.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. J. Businessowners**

##### **IV. J3. BOP Liability Coverages**

1. Be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, C of the CGL form.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. K. Ocean Marine**

1. Be able to differentiate between cargo, hull, freight, and protection and indemnity coverage.
2. Be able to recognize the sources of claims for which Protection and Indemnity insurance provides coverage.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. L. Surety Bonds (and General Bond Concepts)**

1. Be able to differentiate between the three parties involved in a surety bond.
2. Be able to identify differences between surety bonds and insurance policies with regard to loss payments.

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3. Be able to identify the differences between contracts, financial guarantee and faithful performance bonds.

#### **IV. COMMERCIAL COVERAGES**

##### **IV. M. Worker's Compensation - General Concepts**

1. Be able to identify the effect on the legal relationship between employer and employee that was intended when worker's compensation laws were written.
2. Be able to identify situations where law requires worker's compensation coverage and the methods used to provide the coverage.
3. Be able to identify how the coverage provided by a workers' compensation policy in California is determined.
4. Be able to identify a description of the California State Compensation Insurance Fund and who may place business with it (CIC 11784).
5. Be able to identify the four different types of benefits provided.
6. Be able to identify that covered medical expenses do not have time or dollar limits.
7. Be able to identify what Employers Liability coverage is and why it is necessary in addition to workers' compensation (CIC 11750.1 [f]).
8. Be able to identify and apply a definition of the Other States Insurance section of the policy.
9. Be able to identify the voluntary compensation endorsement.
10. Be able to identify what is meant by the term "24 Hour coverage" (CIC 1749.02).
11. Be able to identify the California open rating system.

#### **IV. N. COMMERCIAL LINES**

##### **IV. N. New Developments - Commercial Lines**

1. **Legal**



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2. **Legislative**

3. **Insurance Products and Services**

**V. HEALTH and DISABILITY INSURANCE** (5 percent of questions)

**V. A. Health and Disability Insurance - General**

1. Be able to identify a definition and/or apply your understanding of the following:

morbidity	grace period	extension of benefits
<b>morbidity table</b>	elimination period	pre-existing conditions
cancelable	noncancelable	guaranteed renewable
stop-loss provision	waiver of premium	coinsurance clause
waiting period	types of deductibles	copayments
Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)		
Omnibus Budget Reconciliation Act of 1989 (OBRA)		
Employee Retirement Income Security Act of 1974 (ERISA)		

2. **Know that a Gatekeeper PPO participant who has selected an in network primary care physician can go outside the network when they need medical care.**

3. **Know that a self insured group qualifies for stop-loss coverage after the claims exceed a specific limit in a set period of time.**

4. **Know that self-funding of employee benefits cannot be used to provide death benefits.**

**V. HEALTH and DISABILITY INSURANCE**

**V. B. Medical Expense Insurance**

1. Be able to identify and differentiate between the major kinds of health providers and the plans they offer.

2. **Be able to distinguish the types of health services covered by basic medical expense and major medical expense policies; e.g. hernia repair would be covered by basic medical expense.**

3. **Be able to identify that a point of service plan is one where the participants can select a primary care physician and can go outside the network.**

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4. Be able to identify the causes of loss that are commonly excluded in medical insurance policies.
5. **Be able to identify the typical features of a major medical plan and know the exceptions, e.g. co-payment.**
6. Be able to identify methods being used to contain medical insurance costs.
7. **Be able to identify that the probationary period in a group health policy is for those who join the group after the policy effective date.**

#### **V. HEALTH and DISABILITY INSURANCE**

##### **V. C. Disability Income Insurance**

1. Be able to identify the need for Disability Income insurance.
2. Be able to distinguish between the definitions of the following kinds of disabilities:
  - (a) partial and total; **e.g. know that an example of a partial disability is a disabled employee who is working part time and receiving lost income benefits under their long term disability benefits;**
  - (b) temporary and permanent;
  - (c) occupational and non-occupational.
3. Be able to recognize:
  - (a) which definition of total disability provides the most coverage, e.g. **"own occupation" clause in the disability policy would allow, for instance, that an emergency medical technician can return to gainful employment as a telephone solicitor and continue to collect disability income;**
  - (b) the "social security" definition of total disability.
4. **Be able to recognize the principal sum benefit for death from a disability policy when death occurs, e.g. within specific number of days.**

#### **V. HEALTH and DISABILITY INSURANCE**

##### **V. D. Senior Health Products**

1. For Medicare, be able to identify (in general terms):
  - (a) who is eligible for the coverage;
  - (b) the coverage provided by Part A and B; **e.g. know that Medical Part A includes coverage for hospitalization, home health care and hospice;**

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- (c) the relative cost of Part A and B to the insured;
  - (d) how the coverage is obtained.
- 2. Be able to identify that Medicare Supplement policies are neither sold nor serviced by state or federal government and no agent or company may make statements that they represent the Medicare program or any government agency.
- 3. Be able to identify that there are many restrictions and requirements on the selling of Medicare Supplement policies.
- 4. Be able to identify the California Insurance Code requirements regarding the Insurance to Supplement Medicare:
  - (a) Plan A - must offer core package of benefits (CIC 10194.3);
  - (b) Plans A - J (general understanding of differences [CIC 10194.2-10194.3]);
  - (c) Marketing standards (CIC 10197).
- 5. Be able to recognize:
  - (a) the general type of coverage provided by Long Term Care policies;
    - (1) **know that skilled nursing care, intermediate nursing care, custodial care, home health care, home care or community based care are standard levels of care;**
    - (2) **know that the individual must be unable to perform a minimum of two activities of daily living in order to qualify for benefits under the chronically ill trigger requirement;**
    - (3) **know that the adult day care coverage level of a long-term care policy provides for part time nursing at a facility for elderly who live at home.**
  - (b) that agents must comply with stringent California laws pertaining to Long Term Care.
  - (c) **under hospice know the benefits and the exceptions; e.g. rehabilitation therapy.**

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